

**HOBSON'S BAY COMMUNITY
FINANCIAL SERVICES LIMITED**
A.B.N. 39 091 661 166

**Financial Statements
For the year ended 30 June 2012**

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Chairman's Report

For the year ending 30 June 2012.

It is with great pleasure that I present this, the 12th Annual Report of Hobson's Bay Community Financial Services Limited to shareholders.

I am further pleased to be able to report that this year ending June 2012, has been another great year for our Community Company. You will see from the following financial report that our business continues to grow. This upward projectile of growth has resulted in many milestones including:

- \$320 million in accounts held across our three branches.
- 17,000 accounts held across our three branches.
- Over 180 sponsorships, donations and grants made to local groups/associations.
- Distribution of 82 automated defibrillators as part of our *Defib For Life* program
- Over \$1.7 million returned to the community to date in projects, sponsorship and grants.

The future is bright with new and exciting plans, including refurbishment of our Laverton and Altona branches over the next two years and undertaking a number of major community projects within the City of Hobson Bay and City of Wyndham.

It was welcome news in December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P). S&P's decision to raise the Bank's long-term rating from BBB+ to A- means the Bank, including its **Community Bank**[®] partners, is now rated 'A' by all three of the world's leading credit rating agencies. This is great news for us, and opens business opportunities in the marketplace. This is particularly pleasing during economic challenges in all sectors not only banking.

Over the last 12 months we have maintained our support to the local community with sponsorships and donations. The sponsorship presentation program has continued, and so far in 2012, 40 community groups have received funds. Additionally, we have been involved in many successful community events and activities including:

- Christmas at the Lakes,
- Laverton Festival,
- Altona Australia Day Festival,
- Annual Family Sand Sculpture competition
- The Altona Beach Festival.
- Completed the 24 hour OxFam Walk,
- Collected Christmas gifts for children escaping domestic violence at Women's Health West
- Rolled out energy saving devices in the Switch to Save program.

In March we officially launched our Defib for Life Project at the Altona Surf Life Saving Club. We received great support on this day with attendance from the community, Defib sites, local media and National TV coverage. There has been significant investment in this program and to date, 82 automated Defib units have been placed in strategic locations across the Hobsons Bay and

Wyndham communities. This continues to be an important project for us to support, that will saturate our communities with the lifesaving units.

The support of these groups and programs provides us with the opportunity and a great platform to demonstrate the impact of our **Community Bank®** branches.

Thanks to the support of **Community Bank®** customers and shareholders, the Australia-wide network of 295 branches, has now returned more than \$80 million to support and strengthen local communities.

Our **Community Bank®** has played a key role in this milestone, returning more than \$1.7 million to our local community. These community grants and sponsorships have made a significant difference to a number of local organisations and we look forward to continuing our support, as more people discover the community bank model and bank with us.

In March the Board of Directors welcomed new Director Kim McAliney. Kim brings with her great financial and business skills that make her an asset to our company. She has served on local council for 7 years, 2 of which as Mayor and is extremely passionate about our Western Melbourne community. Kim's election to the Board will be opened to a vote at the Annual General Meeting in November.

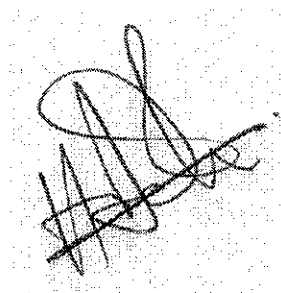
The Board of Directors has an enormous depth of commitment to the Company, partnered by a true vision for the community. They continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the community.

The Company owes a great deal to the Managers and staff of our **Community Bank®** branches. The team is committed and passionate in supporting us to increase the community benefit. On behalf of the Board of Directors, I would like to take this opportunity to recognise and thank all staff for their efforts and dedication over the past 12 months.

Whilst the bank staff and the Board of Directors work hard to ensure the success and longevity of the business I encourage you, our shareholders, to help us achieve our goals. By both banking with us and advocating our **Community Bank®** branches, we can make a bigger difference.

In closing, I trust that you find the following report satisfactory and thank you for your continued support throughout the year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Henry Da Silva', with a large, stylized initial 'H' and 'D'.

Henry Da Silva

Chairman

Senior Manager's report

For year ending 30 June 2012

It is with great pleasure, now in our 12th year I write this report, of our Community Banks existence. It is pleasing to acknowledge that our enthusiasm has not waned and, along with our commitment to the community, it has continued to grow, and is stronger than ever.

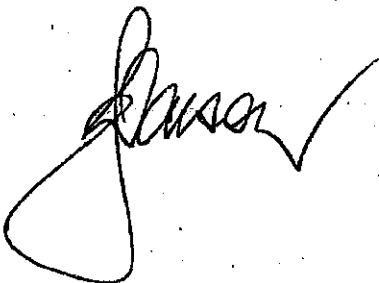
It has certainly been an eventful year, one which saw the Community Bank's support of the Defib for Life Project 'come alive' so to speak, placing more than 82 automated Defib units throughout the Hobson's Bay and Wyndham communities. The project continues to be rolled out throughout 2012 with a strong commitment in particular to our sporting clubs. This combined with more than \$150,000 being poured back into the Community in the form of sponsorships, grants and donations ensured our strategic direction in community engagement and projects were met.

Most recently we were delighted with the opening of our new look Point Cook **Community Bank®** branch, providing our customers, staff and the community with a new fresh, inspiring and engaging banking environment to transact with. The new layout incorporating innovative technology will make traditional banking the thing of the past. Ultimately giving our dedicated staff more time to spend meeting our client's needs more effectively in the future.

Our results for the last financial year were steady with our overall banking business growing by \$16 million, now totaling over \$320 million held in over 17,000 accounts. This is a strong result in what has been a difficult economic and challenging climate experienced by not only the banking sector.

The message is clear 12 years on and more important than ever, the community understands the community bank model. By banking with us, you help generate profits which in turn go back into the Community via various projects, sponsorships and donations.

I would like to sincerely thank yet again, our loyal customers without their ongoing support generating our profits, none of these wonderful Community projects or sponsorship would be possible. I would like to thank the Board of Directors for their support and efforts during the year. Last but not least the dedicated and loyal staff who I work alongside and especially our shareholders, whose support have made the last 12 years possible.

A handwritten signature in black ink, appearing to read 'John Dawson', with a large, stylized loop at the bottom left and a checkmark-like flourish at the bottom right.

John Dawson

Senior Manager

CORPORATE GOVERNANCE STATEMENT

The board is comprised entirely of non executive independent directors. The skills experience and composition of the board is detailed in the director's report. Details of the director's shareholdings, their remuneration and any transactions which they have conducted with the company are included in the Directors Report and Notes to the Financial Statements.

The board has committed to a high standard of corporate governance, financial reporting and integrity throughout the company's operations. The following portfolios have been established as subcommittees to assist and advise the board.

- Audit & Corporate Governance
- Finance and Asset Management
- Human Resources
- Marketing and Business Development
- Sponsorship
- Community Projects

Independent Professional Advice

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Identifying and Managing Business Risks

The board regularly monitors the operational and financial performance of the company against budget and other key performance measures. The board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

Communication with Shareholders

The board of Directors aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the company's activities and its state of affairs, including information necessary to assess the performance of the Directors.

Communication with shareholder is achieved through the distribution of the following information:

- The Annual Report distributed to all shareholders
- The Annual General Meeting to obtain shareholder approval for Board action as appropriate
- Announcements on the National Stock Exchange (NSX) website www.nsx.com.au
- Regular shareholder newsletter.

The board strives to ensure that company announcements via the BSX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner. The board has appointed the Corporate Governance Committee to be responsible for the disclosure processes of the BSX.

DIRECTORS' REPORT

The directors present their report, together with the financial statements of the Hobson's Bay Community Financial Services Ltd for the year ended 30 June 2012.

Directors

The directors of the Company at any time during the financial year are:

| | | | |
|------------|-------------|--------------|-----------------------|
| H Da Silva | M S Pernar | W M Gray | G Glasson |
| G Inserra | B J Cahoon | A D Shanahan | F J Porter (Deceased) |
| K McAliney | G J Murdoch | M A Boyd | |

Principal Activities

During the year the company continued to operate the Laverton / Altona Meadows **Community Bank®**, Altona **Community Bank®** and Point Cook **Community Bank®** branches Bendigo Bank with the support of the Bendigo/Adelaide Bank Ltd.

Operating Results

The net operating profit of the company before community grants, abnormal write off of the old Point Cook fit out and taxation was \$914,070 (2011 \$906,022). The overall net profit of the company after payment of community grants, the abnormal write off and taxation was \$427,970 (2011 \$575,824).

Dividends

Dividends paid or declared for payment are as follows:

| | |
|--|-----------|
| Ordinary dividend paid on 30 November 2011, as recommended in last year's report | \$224,506 |
| The directors have recommended payment of a fully franked dividend of 16 cents per share | \$224,506 |

Review of Operations

The net assets of the company have increased by \$203,464 from 01 July 2011 to \$2,583,796 as at 30 June 2012

The company has continued to grow with assets under management now exceeding \$320.5 million at the date of this report.

The franchise agreement for Point Cook Community Bank® has been renewed as of 1st March 2012, whilst the Laverton/Altona Meadows and Altona franchise agreements are due for renewal by 1st November 2012. Action has been taken so that in the future the renewal dates for all three branches will be the same date in November

The project to renovate the Point Cook branch was completed during June 2012 and the new branch, including access to the expanded shopping centre opened on the first day of business in July.

Significant Changes in State of Affairs

After significant consultation Bendigo Bank changed the margin sharing arrangement on term deposits greater than 90 days and fixed-rate home loans effective 1 April 2011. This will reduce gross revenue by about 5%.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Future Developments

The directors are considering design options to redevelop the Altona Community Bank and will review options for Laverton /Altona Meadows branch in due course.

DIRECTORS' REPORT

Environmental Regulations

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Information on Directors

| | |
|-----------------------------|--|
| Mr H DaSilva Chairperson | Appointed Director 18 th February 2000. Original Steering Committee member. Henry is a local businessman and owner of Ray White Real Estate Laverton. |
| Mr M S Pernar Secretary | Appointed Director 18 th February 2000. Original Steering Committee member. Michael has been employed as the Manager/CEO of the Laverton Community Centre since 1995. His community spirit lends to his involvement in many local groups. |
| Mr G H Glasson Treasurer | Appointed 25 th November 2008. Worked for thirty five years within the Altona Petrochemical Industry. Graeme is an Accountant, Rotarian and past President of the Sanctuary Lakes Golf Club. |
| Mr G Inserra (OAM) | Appointed Director on 18 February 2000. Original Steering Committee member and local resident. He is also a respected community worker with membership of numerous organisations. |
| Mr B J Cahoon | Appointed Director 18 February 2000. Original Steering Committee member. Bruce worked for BASE Australia – Altona Plant for 25 years, was part owner of the Double C Jeanery. He now operates his own business Double C Jeanery Corporate Wear. Bruce is a local resident and is involved in many local groups and associations. |
| Mr G J Murdoch (OAM) | Appointed Director at 2001 AGM. Former Mayor of Hobsons Bay, retired school principal and councillor, Graeme is a local resident and involved in many local groups and associations. |
| Ms K McAliney | Appointed Director 1 st March 2012. Kim is an Accountant and has been a councillor for a number of years. Ms McAliney's appointment will be ratified by shareholders at the AGM in November. |
| A D Shanahan | Appointed Director at 2001 AGM. Former clothing store proprietor and accountant. Current member of Rotary. |
| Mr W M Gray | Appointed Director 18 th February 2000. Original Steering Committee member. Wayne has extensive business and financial experience across a number of areas and is currently employed as a project director of the Asia Pacific with IBM. |
| Mr M A Boyd | Appointed Director 29 th November 2005. Former local business owner. Inaugural Chairperson for Hobsons Bay Community Financial Services Ltd. |

The directors and their associates have the following shares in the company as at the 30th June 2012

| Director | | Associates | Total |
|------------------|--------|------------|--------|
| Henry Da Silva | 2,627 | | 2,627 |
| Wayne Gray | 5,341 | 919 | 6,260 |
| Denis Shanahan | 625 | 1,250 | 1,875 |
| Michael Boyd | 3,004 | | 3,004 |
| Michael Pernar | 1,399 | | 1,399 |
| Bruce Cahoon | 10,376 | 2,500 | 12,877 |
| Giuseppe Inserra | 6,564 | 11,001 | 17,565 |
| Graeme Murdoch | 1,250 | | 1,250 |
| Graeme Glasson | 3,126 | | 3,126 |

DIRECTORS' REPORT

Directors Meetings

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. During the financial year, 11 meetings of directors were held. Attendances were:

| | Eligible to attend | Number attended |
|-----------------------------|--------------------|-----------------|
| Mr H Da Silva (Chairperson) | 11 | 10 |
| Mr M S Pernar (Secretary) | 11 | 9 |
| Mr G Glasson (Treasurer) | 11 | 9 |
| Ms K McAliney | 3 | 3 |
| Mr G Inserra | 11 | 10 |
| Mr B J Cahoon | 11 | 11 |
| Mr W M Gray | 11 | 4 |
| Mr G J Murdoch | 11 | 9 |
| Mr AD Shanahan | 11 | 11 |
| Mr M A Boyd | 11 | 9 |

Portfolio Meetings

| | Audit & Corporate Governance Portfolio | Finance & Asset Management | Sponsorship | Marketing | Human Resources | Community Projects | Charitable Trusts Advisory Committee |
|---------------------|--|-------------------------------|-------------|-----------|-----------------|--------------------|---|
| Total Meetings held | 11 | 12 | 9 | 8 | 9 | 10 | 2 |
| Henry Da Silva | 4 | 5 | 3 | 4 | 4 | 1 | |
| Michael Pernar | 11 | | | | | | |
| Wayne Gray | | 8 | | | | | |
| Denis Shanahan | 9 | 9 | | 7 | 6 | 5 | |
| Graeme Murdoch | | | 6 | 4 | | 2 | 2 |
| Guiseppe Inserra | | | 5 | | 7 | 7 | 2 |
| Bruce Cahoon | | | 9 | | | | 2 |
| Kim McAliney | 3 | 3 | | | | | |
| Michael Boyd | | | | 2 | 7 | 9 | |
| Graeme Glasson | 10 | 11 | | | 1 | | |

DIRECTORS' REPORT

Remuneration Report

Total remuneration of Directors

| | 2012 | 2011 |
|------------------|------------|------------|
| Henry Da Silva | \$5,357.00 | \$5,102.00 |
| Michael Pernar | \$4,020.00 | \$3,829.00 |
| Wayne Gray | \$2,680.00 | \$2,553.00 |
| Frank Porter | \$670.00 | \$3,829.00 |
| Denis Shanahan | \$4,020.00 | \$3,829.00 |
| Graeme Murdoch | \$4,020.00 | \$3,829.00 |
| Giuseppe Inserra | \$2,680.00 | \$2,553.00 |
| Bruce Cahoon | \$2,680.00 | \$2,553.00 |
| Michael Boyd | \$2,680.00 | \$2,553.00 |
| Graeme Glasson | \$4,020.00 | \$3,829.00 |
| Kim McAliney | \$893.00 | - |

The chairman was paid \$5,357, the company secretary \$4,020 & treasurer \$4,020. The company does not pay director salaries and there are no performance conditions placed on directors' remuneration. Directors' remuneration is set by the shareholders at the AGM.

Directors' Privileges Package

Hobson's Bay Community Financial Services Ltd has accepted the Community Bank Directors' Privileges Package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Bendigo Bank. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Directors' and Auditors' Insurance and Indemnification

The company has paid premiums to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a director of the company, other than conduct involving a wilful breach of duty in relation to the company.

The company has not during or since the end of, the financial year, in respect of any person who is or has been an auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred, including costs and expenses in successfully defending legal proceedings, or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred for the costs or expenses to defend legal proceedings.

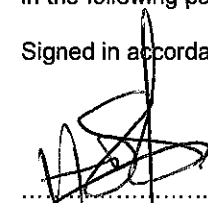
Audit Services

The Company's Auditor has not provided any non audit services during the year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is also included in the following page.

Signed in accordance with a resolution of the Board of Directors.


.....
Director - Henry Da Silva


.....
Director - Michael Stephen Pernar

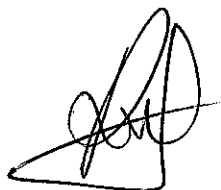
Dated this 27 day of SEPTEMBER 2012

AUDITOR'S INDEPENDENCE DECLARATION

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

- i. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. No contravention of any applicable code of professional conduct in relation to the audit.

Ross Clarke

A handwritten signature in black ink, appearing to be 'Ross Clarke', written over a large, stylized, abstract shape that resembles a triangle or a large letter 'A'.

Ross Clarke Pty Ltd

Melbourne

27 September 2012

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166

Statement of Comprehensive Income for the year ended 30 June 2012

| | Note | 2012 \$ | 2011 \$ |
|--|------|------------------------------|------------------------------|
| Revenues from Ordinary Activities | 2 | <u>3,090,229</u> | <u>2,905,775</u> |
| Amortisation of franchise fee | 3 | (34,377) | (35,976) |
| Depreciation of furniture & equipment | 3 | (40,330) | (35,430) |
| Employment expenses | | (1,262,017) | (1,142,807) |
| Community Development expenses | | (371,531) | (120,860) |
| Other expenses from ordinary activities | | (830,505) | (733,061) |
| Total Expenses from Ordinary Activities | | <u>(2,538,760)</u> | <u>(2,068,134)</u> |
| Profit from Ordinary Activities before Income Tax | | 551,469 | 837,641 |
| Income Tax (Expenses) relating to Ordinary Activities | 5 | (123,499) | (261,817) |
| Profit from Ordinary Activities after Income Tax | | <u>427,970</u> | <u>575,824</u> |
| Profit/(Loss) attributable to extraordinary items | | - | - |
| Net Profit Attributable to Members of the Company | | <u><u>427,970</u></u> | <u><u>575,824</u></u> |
| Earnings per share | | | |
| Basic & Diluted earnings per share (cents per share) | 10 | 30.50 | 41.03 |

The Statement of Comprehensive Income is to be read in conjunction with the
accompanying notes to the financial statements.

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166

Statement of Financial Position as at 30 June 2012

| | Note | 2012 \$ | 2011 \$ |
|---------------------------------------|------|-------------------------|-------------------------|
| Current Assets | | | |
| Cash assets | 6 | 1,770,149 | 1,736,665 |
| Receivables | 7 | 271,483 | 265,494 |
| Other | 8 | 14,511 | 35,368 |
| Total Current Assets | | <u>2,056,143</u> | <u>2,037,527</u> |
| Non-Current Assets | | | |
| Property, Furniture and Equipment | 9 | 960,942 | 798,887 |
| Deferred tax asset | 11 | 43,848 | 39,353 |
| Intangible assets | 12 | 73,016 | 36,971 |
| Total Non-Current Assets | | <u>1,077,806</u> | <u>875,211</u> |
| Total Assets | | <u>3,133,949</u> | <u>2,912,738</u> |
| Current Liabilities | | | |
| Payables | 13 | 452,170 | 241,978 |
| Tax liabilities | 14 | (97,342) | 110,085 |
| Provisions | 15 | 61,702 | 56,759 |
| Total Current Liabilities | | <u>416,530</u> | <u>408,822</u> |
| Non-Current Liabilities | | | |
| Provisions | 15 | 84,457 | 74,418 |
| Tax Liabilities | 14 | 49,166 | 49,166 |
| Total Non-Current Liabilities | | <u>133,623</u> | <u>123,584</u> |
| Total Liabilities | | <u>550,153</u> | <u>532,406</u> |
| Net Assets | | <u>2,583,796</u> | <u>2,380,332</u> |
| Equity | | | |
| Issued capital | 16 | 1,130,008 | 1,130,008 |
| Retained Profits/(Accumulated Losses) | | 1,289,901 | 1,086,437 |
| Revaluation Reserve | | 163,887 | 163,887 |
| Total Equity | | <u>2,583,796</u> | <u>2,380,332</u> |

The Statement of Financial Position is to be read in conjunction with the
accompanying notes to the financial statements.

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166

Statement of Changes in Equity for the year ended 30 June 2012

| | Issued Capital | Revaluation Reserve | Retained Profits (Accumulated Losses) | Total |
|--|---------------------------|--------------------------------|--|------------------|
| Balance 01/07/2010 | 1,130,008 | 162,887 | 678,989 | 1,971,884 |
| Dividend paid during year | | | (168,376) | (168,376) |
| Profit Attributable to members of the company | | | 575,824 | 575,824 |
| Revaluation Increment | | 1,000 | | 1,000 |
| Balance 30/06/2011 | 1,130,008 | 163,887 | 1,086,437 | 2,380,332 |
| Dividend paid during year | | | (224,506) | (224,506) |
| Profit Attributable to members of the company | | | 427,970 | 427,970 |
| Revaluation Increment | | | | - |
| Balance 30/06/2012 | 1,130,008 | 163,887 | 1,289,901 | 2,583,796 |

The Statement of Changes in Equity is to be read
in conjunction with the accompanying notes to the financial statements.

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166

Statement of Cash Flows for the year ended 30 June 2012

| | Note | 2012 | 2011 |
|---|------|-------------------------|-------------------------|
| | | \$ | \$ |
| Cash Flows from Operating Activities | | | |
| Receipts from Bendigo Bank Limited | | 3,280,793 | 3,107,285 |
| Payments to suppliers and employees | | (2,686,694) | (2,177,261) |
| Interest received | | 101,664 | 66,299 |
| Interest and other costs of finance | | - | (58,329) |
| Income tax paid | | (316,619) | (218,663) |
| Net cash provided by (used in) operating activities | 20B | <u>379,144</u> | <u>719,331</u> |
| Cash Flows from Investing Activities | | | |
| Purchases of property, plant & equipment | | (50,732) | (1,900) |
| Payment of Franchise Fees | | (70,422) | - |
| Net cash provided by (used in) investing activities | | <u>(121,154)</u> | <u>(1,900)</u> |
| Cash Flows from Financing Activities | | | |
| Dividends Paid | | (224,506) | (168,376) |
| Repayment of borrowings | | - | - |
| Net cash provided by (used in) financing activities | | <u>(224,506)</u> | <u>(168,376)</u> |
| Net increase (decrease) in cash held | | 33,484 | 549,055 |
| Cash at the beginning of the year | | 1,736,665 | 1,187,610 |
| Cash at the end of the year | 20A | <u><u>1,770,149</u></u> | <u><u>1,736,665</u></u> |

The Statement of Cash Flows is to be read in conjunction with the
accompanying notes to the financial statements.

Notes to the Financial Statements for the year ended 30 June 2012

Note 1: Statement of Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets.

(b) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Franchise Revenue

Franchise revenue is recognised when the services are provided.

Interest Income

Interest income is recognised when it accrues.

Notes to the Financial Statements for the year ended 30 June 2012

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less where applicable any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a valuation by Land Link Property Group Pty Ltd, independent valuers dated 16th May 2011, less estimated cost of sale.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the amount recoverable from these assets.

Notes to the Financial Statements for the year ended 30 June 2012

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the assets will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Dividends are brought to account in the profit and loss account when received.

(g) Franchise Fee

The Franchise Fee is initially recorded at the amount, which the Franchisee paid the Franchisor. The Franchise Fee is amortised on a straight line basis over the life of the agreement.

The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(h) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a superannuation fund as required by law. Contributions are charged against income as they are made.

Notes to the Financial Statements for the year ended 30 June 2012

(i) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months, net of bank overdrafts.

(j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods, or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(l) Receivables

Trade Debtors

The Bendigo Bank Limited is the company's only trade debtor. Accounts are settled every 30 days and no provision has been made for any portion of the amount due to be doubtful.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD

A.B.N. 39 091 661 166

Notes to the Financial Statements for the year ended 30 June 2012

| | Note | 2012 | 2011 |
|--|------|-------------------------|-------------------------|
| | | \$ | \$ |
| Note 2: Revenue | | | |
| Operating Activities: | | | |
| Franchise income | | 2,988,565 | 2,839,476 |
| Interest revenue | | 101,664 | 66,299 |
| Other income | | - | - |
| Total Revenue from Ordinary Activities | | <u><u>3,090,229</u></u> | <u><u>2,905,775</u></u> |
| Note 3: Expenses | | | |
| Profit from ordinary activities before income tax includes the following specific expenses: | | | |
| Amortisation of non-current assets: | | | |
| - Franchise fee | | 34,377 | 35,976 |
| Total amortisation expenses | | <u><u>34,377</u></u> | <u><u>35,976</u></u> |
| Bad and doubtful debts | | 2,873 | 7,111 |
| Point Cook - write off of old fitout | | 68,197 | nil |
| Depreciation of non-current assets: | | | |
| - Plant and equipment | | 40,330 | 35,430 |
| Note 4: Auditors' Remuneration | | | |
| Remuneration of the auditor of the company for: | | | |
| Audit Services | | 15,038 | 13,500 |
| Other services | | nil | nil |
| | | <u><u>15,038</u></u> | <u><u>13,500</u></u> |
| Note 5: Income Tax | | | |
| The prima facie tax payable on operating profit is reconciled to the income tax provided in the accounts as follows: | | | |
| Operating profit before income tax | | <u><u>551,469</u></u> | <u><u>837,641</u></u> |
| Prima facie income tax payable on operating profit @ 30% | | 165,441 | 251,292 |
| Add: | | | |
| Tax effect of: | | | |
| Non-deductible Amortisation | | - | 10,794 |
| Asset Revaluation | | - | 300 |
| Capital works deduction | | (569) | (569) |
| Capital Allowance | | - | - |
| Refund of previous Income Tax expense | | (41,373) | - |
| Income tax expense/(revenue) attributable to ordinary activities | | <u><u>123,499</u></u> | <u><u>261,817</u></u> |

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD

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Notes to the Financial Statements for the year ended 30 June 2012

| | Note | 2012 | 2011 |
|----------------------------|------|------------------|------------------|
| | | \$ | \$ |
| Note 6: Cash assets | | | |
| - Cash at Bank | | 397,527 | 195,820 |
| - Term Deposits | | 1,371,717 | 1,540,658 |
| - Cash on hand | | 905 | 187 |
| | | <u>1,770,149</u> | <u>1,736,665</u> |

Note 7: Receivables

| | | | |
|---------------|--|----------------|----------------|
| Current | | | |
| Trade debtors | | <u>271,483</u> | <u>265,494</u> |

Note 8: Other Assets

| | | | |
|----------------|--|---------------|---------------|
| Current | | | |
| Sundry Debtors | | 1,283 | 25,553 |
| Prepayments | | 13,228 | 9,815 |
| | | <u>14,511</u> | <u>35,368</u> |

Note 9: Property, Furniture and Equipment

| | | | |
|------------------------|--|----------------|----------------|
| Land and Buildings: | | | |
| - Valued at fair value | | 530,000 | 530,000 |
| | | <u>530,000</u> | <u>530,000</u> |

| | | | |
|---------------------------------|--|----------------|----------------|
| Plant and equipment: | | | |
| - At cost | | 756,291 | 645,287 |
| - Less accumulated depreciation | | (325,349) | (376,400) |
| | | <u>430,942</u> | <u>268,887</u> |

| | | | |
|---------------------------------|--|----------------|----------------|
| Leased Plant and Equipment: | | | |
| - At cost | | 15,615 | 15,615 |
| - Less accumulated amortisation | | (15,615) | (15,615) |
| | | <u>-</u> | <u>-</u> |
| | | <u>960,942</u> | <u>798,887</u> |

Movements in Carrying Amounts

| | L & B \$000 | Plant & Equip \$000 | Total \$000 |
|-------------------------|----------------|------------------------|----------------|
| Balance at 1 July 2010 | 529 | 302 | 831 |
| Additions | | 2 | 2 |
| Disposals | | | |
| Revaluation Increment | 1 | | 1 |
| Depreciation Expense | | (35) | (35) |
| Balance at 30 June 2011 | <u>530</u> | <u>269</u> | <u>799</u> |
| Additions | | 270 | 270 |
| Disposals | | (68) | (68) |
| Revaluation Increment | | | |
| Depreciation Expense | | (40) | (40) |
| Balance at 30 June 2012 | <u>530</u> | <u>431</u> | <u>961</u> |

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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Notes to the Financial Statements for the year ended 30 June 2012

| Note | 2012 | 2011 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Note 10: Earnings per Share | | |
| Earnings used to calculate basic EPS | 427,970 | 575,824 |
| Number of ordinary shares used to calculate basic EPS | 1,403,164 | 1,403,164 |
| Note 11: Deferred Tax Assets | | |
| Deferred Tax asset | <u><u>43,848</u></u> | <u><u>39,353</u></u> |
| The deferred tax asset is made up of the following estimated tax benefits: | | |
| - temporary differences between tax & accounting income | <u>43,848</u> | <u>39,353</u> |
| | <u><u>43,848</u></u> | <u><u>39,353</u></u> |
| Note 12: Intangibles | | |
| Franchise fee: | | |
| - At cost | 190,303 | 179,881 |
| - Less accumulated amortisation | <u>(117,287)</u> | <u>(142,910)</u> |
| | <u><u>73,016</u></u> | <u><u>36,971</u></u> |
| Note 13: Payables | | |
| Current | | |
| Unsecured: | | |
| - Trade creditors | 120,974 | 149,697 |
| - Point Cook Fitout | 219,850 | - |
| - Other creditors and accruals | <u>111,346</u> | <u>92,281</u> |
| Total Current Liabilities | <u><u>452,170</u></u> | <u><u>241,978</u></u> |

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD

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Notes to the Financial Statements for the year ended 30 June 2012

| | Note | 2012 | 2011 |
|---|-------------|-------------------------|-------------------------|
| | | \$ | \$ |
| Note 14: Tax Liabilities | | | |
| Current | | | |
| Current tax liability/(refund) | | (147,724) | 58,683 |
| GST payable | | 43,822 | 46,056 |
| Amounts withheld from salary and wages | | 6,560 | 5,346 |
| | | <u>(97,342)</u> | <u>110,085</u> |
| Non-Current | | | |
| Deferred Tax Liability | | <u>49,166</u> | <u>49,166</u> |
| Note 15: Provisions | | | |
| Current | | | |
| Employee entitlements | | <u>61,702</u> | <u>56,759</u> |
| | | <u>61,702</u> | <u>56,759</u> |
| Non-Current | | | |
| Employee entitlements | | <u>84,457</u> | <u>74,418</u> |
| Aggregate employee entitlements liability | | 146,159 | 131,177 |
| Number of employees at end of year | | 10 | 11 |
| Note 16: Issued Capital | | | |
| 1,403,164 ordinary shares | | <u>1,130,008</u> | <u>1,130,008</u> |

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholder meetings each member is entitled to one vote either when a poll is called, or otherwise each shareholder has one vote on a show of hands.

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166

Notes to the Financial Statements for the year ended 30 June 2012

| Note | 2012 \$ | 2011 \$ |
|------|------------|------------|
|------|------------|------------|

Note 17: Related Parties

The following transactions were made with related parties during the financial year. All transactions are on normal commercial terms unless otherwise stated.

| | | |
|---|--------|--------|
| Ray White Real Estate, of which Mr H. Da Silva is a director for rental of the Altona premises. | 63,266 | 60,832 |
| Sanctuary Lakes Corporate Wear and Double C Jeanery of which Mr Bruce Cahoon is the proprietor for advertising. | 2,735 | 5,000 |

Note 18: Dividends

| | | |
|---|----------------|----------------|
| Proposed final fully franked ordinary dividend of 1,403,164 @ 16 cents per share (2011: 1,403,164 @ 16 cents per share) | <u>224,506</u> | <u>224,506</u> |
|---|----------------|----------------|

Note 19: Segment Information

The company operates predominantly in the financial services sector within Australia.

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166

Notes to the Financial Statements for the year ended 30 June 2012

| Note | 2012 | 2011 |
|------|------|------|
| | \$ | \$ |

Note 20: Cash Flow Information

A) Reconciliation of Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | | |
|---------------|------------------|------------------|
| Cash at bank | 397,527 | 195,820 |
| Term Deposits | 1,371,717 | 1,540,658 |
| Cash on hand | 905 | 187 |
| | <u>1,770,149</u> | <u>1,736,665</u> |

B) Reconciliation of Net Cash Provided by/Used in Operating Activities to Net Profit

| | | |
|---|---------|---------|
| Operating profit after income tax | 427,970 | 575,824 |
| Depreciation | 40,330 | 35,430 |
| Amortisation of franchise fee | 34,377 | 35,976 |
| Loss on Disposal of Property, Plant & Equipment | 68,197 | - |

Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:

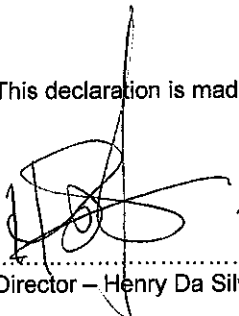
| | | |
|---|-----------------------|-----------------------|
| (Increase) decrease in trade and term debtors | (5,989) | (15,846) |
| (Increase) decrease in prepayments | (3,413) | (162) |
| (Increase) decrease in sundry debtors | 24,270 | (25,553) |
| Increase (decrease) in trade creditors and accruals | (9,656) | 113,700 |
| Increase (decrease) in employee entitlements | 14,980 | (14,377) |
| Increase (decrease) in sundry provisions | (1,020) | (3,169) |
| Increase/(decrease) in deferred income tax | (4,495) | 4,313 |
| Increase/(decrease) in provision for income tax | (206,407) | 13,195 |
| Net cash provided by operating activities | <u>379,144</u> | <u>719,331</u> |

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) give a true and fair view of the financial position of the company as at 30 June 2012 and of its performance for the year ended on that date and
 - (b) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and;
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by section 295A of the Corporation ACT 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Board of Directors.



Director – Henry Da Silva



Director - Michael Stephen Pernar

Dated this 27 day of SEPTEMBER 2012

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Report on the Financial Report

We have audited the accompanying financial report of Hobson's Bay Community Financial Services Limited which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

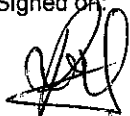
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Audit Opinion

In our opinion the financial report of HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD is in accordance with the *Corporations Act 2001*, including :

- (a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Signed on: 27 SEPTEMBER 2012



Ross Clarke
Director
Ross Clarke Pty Ltd
Certified Practising Accountants
ABN 63 085 401 583

Additional Annual Report Information

Hobson's Bay Community Financial Services Limited is a public Company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX)

Shareholding.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

| Ordinary Shares | Number of Shareholders | Number of Shares |
|------------------|------------------------|------------------|
| 1 - 1000 | 275 | 113,664 |
| 1,001 - 5,000 | 172 | 369,232 |
| 5,001 - 10,000 | 26 | 201,157 |
| 10,001 - 100,000 | 27 | 600,361 |
| 100,001 and over | 1 | 118,750 |
| Total | 501 | 1,403,164 |

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote.

Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 110 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

Additional Annual Report Information

The following table shows the 10 largest shareholders

| Shareholder | Number Of Shares | Percentage Of Capital |
|---|---------------------|--------------------------|
| 1. Altona Sports Club | 118,750 | 8.4 |
| 2. Tino Ballan | 83,238 | 5.9 |
| 3. Peins Superannuation fund | 56,250 | 4.2 |
| 4. Farlie Family Superannuation Fund | 47,126 | 3.3 |
| 5. JLD Carpet Cleaning Pty Ltd Super Fund | 40,938 | 2.9 |
| 6. Donald John Hallam | 31,875 | 2.2 |
| 7. Laverton Community Centre | 26,906 | 1.8 |
| 8. The Waring Family Superannuation Fund | 22,594 | 1.6 |
| 9. Felicity Reid | 20,625 | 1.4 |
| 10. Schembri Corporate Investments | 20,000 | 1.4 |
| | 465,396 | 33.1 |

Registered office and principal administrative office

The registered office of the Company is located at:

4B Pyke Street,
Werribee VIC 3030
Phone: (03) 9741 3151

The principal administrative office of the Company is located at:

4B Pyke Street,
Werribee VIC 3030
Phone: (03) 9741 3151

Security Register

The security register (share register) is kept at:

26 Aviation Road,
Laverton VIC 3028
Phone: (03) 9369 8081

Company Secretary

Michael Perner has been the Company Secretary of Hobson's Bay Community Financial Services Ltd for 12 years. His qualifications and experience include a Diploma in Business and 16 years in senior management.

Additional Annual Report Information

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are H Da Silva, M Pernar, D Shanahan, G Glasson & K McAliney.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director Meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its annual report.

5 Year summary of performance

| | 2008 \$ | 2009 \$ | 2010 \$ | 2011 \$ | 2012 \$ |
|-----------------------|------------|------------|------------|------------|------------|
| Gross revenue | 2,216,927 | 2,141,262 | 2,485,848 | 2,905,775 | 3,090,229 |
| Net profit before tax | 461,931 | 307,578 | 535,295 | 837,641 | 551,469 |
| Total assets | 2,293,281 | 2,265,514 | 2,394,941 | 2,912,738 | 3,133,949 |
| Total liabilities | 583,924 | 518,009 | 423,057 | 532,406 | 550,153 |
| Total equity | 1,709,357 | 1,747,505 | 1,971,884 | 2,380,332 | 2,583,796 |